Matthew Clark Wholesale Limited

Directors' report and financial statements

Registered number 2550982
For the year ended 29 February 2012

Contents

Directors' report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 29 February 2012

Principal activity

The Company's principal activity during the period has been that of wholesale wine and spirits merchants, operating in the UK

Business review

Matthew Clark Wholesale Limited (MCW) is a leading independent supplier of drinks to the on-premise licensed trade Operating solely in the UK the Company supplies beverages, both alcoholic and non-alcoholic, to a wide variety of customers including pubs, bars, hotels, restaurants and leisure outlets

The Company offers a comprehensive wholesale and distribution proposition to the UK on-premise trade Employing a 200 strong sales force, MCW offers a complete next day drinks solution to customers, both in the independent free trade sector and to large national multiple operators

Focusing on the provision of wine and spirits the Company has established itself as the leading composite drinks supplier to the UK on-trade

Competition

The Company has placed itself in the market as the leading non-brewer owned distributor with scale and reach to supply the whole on-trade market, from small independent outlets to the major national managed retail chains The core specialism is the wine range together with a competitive range across other major drinks sectors such as spirits and beer

The Company's competitors can be broken down into a number of groups

Global brewers who focus on beer distribution with other drinks as service lines and represent the largest volume operators in the market by virtue of their beer volumes

National independent wholesalers who offer similar product and service offerings to the Company

Independent regional wholesalers who, whilst lacking national scope, have strong local distribution and customer bases

Legal and regulatory environment

The Company acknowledges that it works in an environment that has both a developing and increasing regulatory agenda. In the areas of health and safety, quality control, environmental obligations and employee welfare the Company seeks to ensure that it works in an appropriate manner with the relevant regulatory bodies, works to obtain recognised accreditations and encourages a proactive approach to changes in the legal environment

Aims and objectives

The Company's strategy is centred on the need to grow the business through delivery of high levels of service to the customer base

The Company's objectives are to grow profits and cash flow by focusing on core competencies of service and range, whilst leveraging scale with both suppliers and customers

Directors' report *(continued)*

Business review *(continued)*

Risk/uncertainty

The Company takes a moderate approach to risk, taking appropriate mitigation over legal, regulatory and financial exposures It uses a consistent documented approach in its treatment of financial risk and debtor exposure

There are well documented uncertainties over both the economic outlook and the impact of any downturn on consumer spend. The Company has seen declines in many of its key markets over the course of the last year Regular management review and strategic exercises seek to identify those areas of risk and uncertainty that need to be addressed and put in place appropriate actions to mitigate them

Measurement

The Company has a well established performance measurement system that focuses the business on the key levers of sales volume and profit growth, together with cost control and cash flow This is linked to a detailed annual planning process as part of the strategic planning exercise

This target setting is then directly linked to individual employee's remuneration through a variety of incentive schemes across the businesses that align individual responsibilities with corporate aims and objectives

The annual budget process ensures that targets relating to business growth and development are set in conjunction with the Company's long term strategic goals and objectives

Trends and developments

The patterns of the last few years have continued in the on-trade with an overall decline in both outlet numbers, consumer spend and drink volumes The general economic environment has put a further squeeze on household income and the taxation pressures have further exacerbated the pricing differential between the on and off-trade

In most areas volumes appear to be declining, although sales values increased driven by tax and duty and cost increases Casual dining and some restaurants appeared to fare better than wet-led operators but in general the trading was mixed From a geographical perspective the picture outside the south east was again mixed

The late night sector continues to remain under pressure with several notable business failures and it is unlikely that this will change in the short term

The Company expects further outlet closures and consolidation over the coming year

Performance

The strategy for the year was to maintain growth through customer acquisition, transfer agency business out of the MCW Company into Wine Studio Limited and to continue the heavy investment programme in infrastructure

Gross profit grew by over 5%, despite volumes only growing at 4% as a result of focusing on particular customer and product segments This was also assisted by transferring out lower margin wholesale business to the Wine Studio Agency business

Further heavy investment in capital of over £2m on IT and infrastructure was also made to ensure that systems and processes can support the future growth There were also one-off costs as a result of these projects

Investment was also made in sales and marketing capability ahead of volume growth, with the recruitment of additional people into both central and regional teams

Working capital management was tight, despite pressure on stock and debtors at key times of the year This will continue to be a focus going into the next financial year

Directors' report *(continued)*

Results and dividends

Given the general economic environment and the level of investment made into the business this year the Directors are pleased with the profit performance, which was in line with plans The profit after tax for the year was £7,104,000 *(2011 £7,817,000)*

As a result of the performance both this year and last year, a dividend of £25,000,000 *(2011 £Nil)* was paid during the year

Directors

The following Directors served during the year or were appointed post year end

S Thomson	
M G Grisman	
T Christensen	(resigned 24 May 2011)
E Bashforth	
S Dando	
J Lousada	
N Truelove	(appointed 24 May 2011)

Supplier payment policy

The Company agrees terms and conditions for its business transactions with suppliers and payment is then made on these terms, subject to the terms and conditions being met by the supplier The Company had creditor days at 29 February 2012 of 43 days *(2011 48 days)*

Disabled employees

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitude and abilities Every effort is made to continue to employ persons who become disabled while in the Company's employment Disabled persons share equally in opportunities for training, career development and promotion

Employee consultation

The Company ensures that all employees are kept up to date with major developments and changes within the organisation via notice boards, departmental briefings and online web casts

Health and safety

The Company promotes all aspects of safety throughout the Company in the interest of employees and users of premises

Statement of disclosure to auditor

The Directors who held office at the date of approval of the Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

S Dando
Director

Whitchurch Lane
Bristol
BS14 0JZ
21 June 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Matthew Clark Wholesale Limited

We have audited the financial statements of Matthew Clark Wholesale Limited for the year ended 29 February 2012 set out on pages 7 to 19 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 29 February 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Matthew Clark Wholesale Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

AC Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

21 June 2012

Profit and Loss Account

for the year ended 29 February 2012

	Note	2012 £000	2011 £000
Turnover	2	**604,130**	579,118
Cost of sales		**(525,870)**	(504,768)
Gross profit		**78,260**	74,350
Distribution costs		**(33,383)**	(31,416)
Administration expenses		**(34,648)**	(31,587)
Operating profit		**10,229**	11,347
Interest payable and similar charges	6	**(474)**	(321)
Profit on ordinary activities before taxation	3-5	**9,755**	11,026
Tax on profit on ordinary activities	7	**(2,651)**	(3,209)
Profit for the financial year	15	**7,104**	7,817

There were no recognised gains or losses in the current or prior year other than those shown above

No statement of historical cost profits and losses is included as there is no material difference between the historical cost profit and the reported profit in either the current or the prior year

These results derive from continuing operations

Balance Sheet
at 29 February 2012

	Note	2012		2011	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	8		8,142		7,854
Current assets					
Stocks	9	30,171		28,434	
Debtors	10	96,040		100,617	
Cash at bank and in hand		1,575		14,435	
		127,786		143,486	
Creditors amounts falling due within one year	11	(84,112)		(81,476)	
Net current assets			43,674		62,010
Total assets less current liabilities			51,816		69,864
Provisions for liabilities and charges	12		(772)		(924)
Net assets			51,044		68,940
Capital and reserves					
Called up share capital	13		3,000		3,000
Share premium account	14		27,000		27,000
Capital contribution	14		1,293		1,293
Profit and loss account	14		19,751		37,647
Shareholders' funds	15		51,044		68,940

These financial statements were approved by the board of Directors on 21 June 2012 and were signed on its behalf by

S Dando
Director

Registered number 2550982

Notes

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Under FRS1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published financial statements (see note 20)

As the Company is a wholly owned subsidiary of Matthew Clark (Holdings) Limited, the Company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group The consolidated financial statements of Matthew Clark (Holdings) Limited can be obtained from the address given in note 20

Going concern

The Company's funding is based on the financing for the Group headed by Matthew Clark (Holdings) Limited (the "Group") over which there are cross guarantees as described in note 17 This funding is in place until June 2015 The Directors have prepared cash flow forecasts and while the nature of the Group's business means that there can be unpredictable variation in the timing of cash flows, taking account of reasonably possible changes in the Group's performance, the Directors have concluded that the Group should be able to operate within the level of its current facilities

In preparing those forecasts, the Directors have taken into account various risks and uncertainties The principal areas of risk and uncertainty are the impact of the wider economic climate on the achievement of operating targets, in particular projected revenue and gross margins In addition to these risks and uncertainties, the Group's performance is also impacted by financial and credit risks The Board has a documented policy in relation to manage these risks

After making enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Turnover

Revenue from the sale of goods includes excise and import duties which the Company pays as principal but excludes amounts collected on behalf of third parties, such as value added tax Sales are recognised depending upon individual customer terms at the time of despatch, delivery or some other specified point when the risk of loss transfers Provision is made for returns where appropriate Sales are stated net of price discounts, allowances for customer loyalty and certain promotional activities and similar terms

Stocks

Stocks are valued at the lower of cost (including Customs and Excise Duty where incurred), determined on a first-in-first-out basis, and net realisable value Provision is made, as appropriate, for obsolete and slow moving stock

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows

Freehold buildings	-	between 33 to 50 years
Leasehold buildings and improvements	-	length of lease
Fixtures and fittings	-	between 5 to 15 years
Computer equipment	-	between 3 to 5 years
Plant, machinery and vehicles	-	between 2 to 15 years

No depreciation is provided on assets in the course of constructions until the asset is brought into use

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Post-retirement benefits

The Company participates in a Group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period See note 18 for further information on the treatment of this scheme

For money purchase schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

2 Turnover

Turnover consists of sales in the United Kingdom arising from the Company's principal activity

Notes *(continued)*

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2012 £000	2011 £000
Depreciation	**1,824**	1,696
Loss on disposal of fixed assets	**2**	81
Operating lease charges		
- plant and machinery	**432**	411
- vehicles	**2,152**	2,169
- land and buildings	**2,964**	2,989

Auditor's remuneration:	2012 £000	2011 £000
Audit of these financial statements	**44**	43

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Matthew Clark Holdings Limited

4 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows

	Number of employees 2012	2011
Selling and distribution	**832**	808
Administration	**356**	341
	1,188	1,149

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	**30,901**	29,430
Social security costs	**3,217**	3,080
Other pension costs (see note 18)	**2,128**	2,081
	36,246	34,591

Notes *(continued)*

5 Directors' remuneration

The remuneration of the Directors was as follows

	2012 £000	2011 £000
Directors' emoluments	507	545
Pension payments	32	31
	539	576

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £306,000 *(2011 £317,000)* and Company pension contributions of £19,000 *(2011 £17,000)* were made to a money purchase scheme on his behalf

The number of Directors who

	Number of directors 2012	 2011
Are members of defined contribution pension schemes	2	2

6 Interest payable and similar charges

	2012 £000	2011 £000
On bank loans and overdrafts	474	321

Notes *(continued)*

7 Tax on profit on ordinary activities

The tax charge comprises

	2012 £000	2011 £000
UK corporation tax		
Current tax on income for the year	**2,876**	3,262
Adjustments in respect of prior years	**(169)**	(41)
Total current tax	**2,707**	3,221
Deferred tax		
Origination and reversal of timing differences	**(39)**	(68)
Adjustment in respect of prior years	**2**	66
Capital allowances in excess of depreciation	**-**	(10)
Effect of changes in tax rates	**(19)**	-
Total deferred tax (see note 12)	**(56)**	(12)
Tax on profit on ordinary activities	**2,651**	3,209

Factors affecting the tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax of 26 17 % *(2011 28%)* to the profit before tax, is as follows

	2012 £000	2011 £000
Profit on ordinary activities before taxation	**9,755**	11,026
Tax on profit on ordinary activities at standard UK corporation tax rate of 26 17 % *(2011 28%)*	**2,553**	3,087
Effects of		
Group relief not paid for	**-**	(189)
Expenses not deductible for tax purposes	**284**	296
Capital allowances in excess of depreciation	**39**	49
Origination and reversal of timing differences	**-**	19
Adjustments to tax charge in respect of previous periods	**(169)**	(41)
Current tax charge for the year	**2,707**	3,221

On 23 March 2011 the Chancellor announced that the main rate of UK corporation tax will reduce from 26% to 25% with effect from 1 April 2012 This tax change became substantively enacted on 5 July 2011

On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012 This change became substantively enacted on 26 March 2012

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 22% by 1 April 2014, but these changes have not yet been substantively enacted

Notes *(continued)*

8 Tangible fixed assets

	Buildings and building improvements £000	Assets in course of construction £000	Fixtures and Fittings £000	Computer equipment £000	Plant, machinery and vehicles £000	Total £000
Cost						
At beginning of year	3,008	1,763	1,403	14,326	1,005	21,505
Additions	196	859	6	949	104	2,114
Disposals	-	-	-	-	(14)	(14)
At end of year	3,204	2,622	1,409	15,275	1,095	23,605
Depreciation						
At beginning of year	1,772	-	1,345	9,985	549	13,651
Charge for the year	186	-	16	1,538	84	1,824
Disposals	-	-	-	-	(12)	(12)
At end of year	1,958	-	1,361	11,523	621	15,463
Net book value						
At 29 February 2012	**1,246**	**2,622**	**48**	**3,752**	**474**	**8,142**
At 28 February 2011	1,236	1,763	58	4,341	456	7,854

9 Stocks

	2012 £000	2011 £000
Finished goods and goods for resale	**30,171**	28,434

10 Debtors

	2012 £000	2011 £000
Trade debtors	**59,572**	53,180
Amounts owed by Group undertakings	**30,703**	40,603
Amounts owed by controlling parties	**30**	1,401
Other debtors	**4,665**	3,040
Prepayments and accrued income	**1,070**	2,393
	96,040	100,617

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	**59,258**	52,573
Amounts owed to Group undertakings	**10,154**	7,319
Amounts owed to controlling parties	**3,427**	4,942
Corporation tax creditor	**949**	250
Other taxes and social security	**6,899**	7,318
Other creditors	**2,082**	1,020
Accruals and deferred income	**1,343**	8,054
	84,112	81,476

12 Provisions for liabilities and charges

	Deferred tax £000	Property £000	Total £000
At beginning of year	278	646	**924**
Credit to the profit and loss for the year	(56)	(96)	**(152)**
At end of year	222	550	**772**

Property provisions relate to a number of properties used in the Company's business They include amounts in respect of onerous rental expenses and dilapidations for leases expiring between the balance sheet date and 2026

The elements of deferred taxation are as follows

	2012 £000	2011 £000
Difference between accumulated depreciation and capital allowances	**344**	402
Short term timing differences	**(122)**	(124)
Deferred tax liability	**222**	278

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 22% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 25% to 22%, if these applied to the deferred tax balance at 29 February 2012, would be to further reduce the deferred tax asset by approximately £27,000

Notes *(continued)*

13 Called up share capital

	2012 £000	2011 £000
Authorised		
3,000,100 ordinary shares of £1 each	**3,000**	3,000
Allotted, called up and fully paid		
3,000,002 ordinary shares of £1 each	**3,000**	3,000

14 Reserves

	Share premium account £000	Capital contribution £000	Profit and Loss account £000
At beginning of year	27,000	1,293	37,647
Profit for the year	-	-	7,104
Dividends paid	-	-	(25,000)
At end of year	**27,000**	**1,293**	**19,751**

The profit and loss account reserve has been charged with £13,816,000 *(2011 £13,816,000)* of goodwill arising on the acquisition of businesses written off to reserves This goodwill has been recognised as a realised loss over a period of 20 years, the estimated useful life Of the £13,816,000 written off to reserves £2,953,000 *(2011 £3,644,000)* remains unrealised

15 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	**7,104**	7,817
Net addition to shareholders' funds	**7,104**	7,817
Opening shareholders' funds	**68,940**	61,123
Dividends paid	**(25,000)**	-
Closing shareholders' funds	**51,044**	68,940

Notes *(continued)*

16 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Plant and machinery		Vehicles	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Operating leases which expire				
- Within one year	**281**	60	**447**	67
- In the second to fifth years	**63**	351	**1,655**	2,102
- Over five years	**-**	-	**-**	-
	344	411	**2,102**	2,169

In addition, the Company leases certain land and buildings on short term leases The annual commitments under these non-cancellable operating leases, which are subject to renegotiation at various intervals specified in the leases and in respect of which the Company pays all insurance, maintenance and repairs are as follows

	2012	2011
	£000	£000
Operating leases which expire		
- Within one year	**321**	142
- In second to fifth years	**715**	921
- Over five years	**1,926**	1,926
	2,962	2,989

17 Contingent liabilities

The Company is a member of the Group VAT registration and is therefore jointly liable for the other Group Companies' outstanding net VAT liability of £2,009,000 *(2011 £1,227,000)*

The Company and certain other Group undertakings have entered into a Composite Accounting Agreement under which Barclays Bank Plc may offset money standing to the credit of any Company within the agreement against any indebtedness to the bank of a company within the agreement. The contingent liability at 29 February 2012 of the Company in respect of guarantees given to secure the banking facilities of other Group undertakings was £380,000 *(2011 £10 101,000 liability)*

18 Pensions

The Company operates a defined contribution scheme The assets of the scheme are held separately from those of the Company, being invested with insurance companies The pension cost charge represents contributions payable by the Company to the fund and amounted to £878,000 *(2011 £874,000)*

The Company also participates in a larger Group pension scheme The Matthew Clark Pension Plan provides benefits based on final salary pensionable pay sponsored by Accolade Wines Limited (formerly Constellation Europe Limited) on behalf of Matthew Clark (Holdings) Limited and for the benefit of its employees Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, and therefore as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for as if the scheme was a defined contribution scheme

Notes *(continued)*

18 Pensions *(continued)*

Contributions to the Matthew Clark Pension Plan are assessed in accordance with the advice of Punter Southall & Co , consulting actuaries The plan was closed to future benefit accrual at 31 March 2003, although salary linkage will remain on accrued benefits A defined contribution arrangement was opened to all active members of the plan and for new employees from 1 April 2003 The latest formal actuarial valuation of the scheme was carried out as at 31 December 2010

Following the joint venture on 17 April 2007, the Joint Venture Agreement provided that Matthew Clark (Holdings) Limited will procure that Matthew Clark Wholesale Limited shall pay £1,250,000 per annum for a period of 10 years to the Matthew Clark Group Pension Plan Trustees The amount is fixed at a Group level regardless of what the pension trust might request Should the Trustees request additional amounts, these shall be refunded to Matthew Clark (Holdings) Limited by Hertford Cellars Limited Should the Trustees request a payment less than £1,250,000 then the difference shall be treated as a distribution from Matthew Clark Wholesale Limited to Matthew Clark (Holdings) Limited The Group contribution for the year was £1,250,000 (*2011 £1,250,000*) and was paid entirely by Matthew Clark Wholesale Limited on behalf of the Group

The Group expects to contribute £1,250,000 under the above arrangements in the next financial year

19 Related party transactions

During the year the Company entered into transactions with companies in the groups headed by Punch Taverns Plc and CHAMP III Management Pty Limited

During the year the trading relationship with Punch Taverns Plc Group changed from Matthew Clark Wholesale Limited to Wine Studio Limited

a) Transactions with the CHAMP III Management Pty Limited Group

- The Company purchased goods of £50,796,000 *(2011 £134,287,000)* and services of £3,829,000 (*2011 £4,583,000*) from the CHAMP III Management Pty Limited Group,
- The Company made sales of £Nil (*2011 £Nil*) to the CHAMP III Management Pty Limited Group, and
- The balance owing from the Company to the CHAMP III Management Pty Limited Group at 29 February 2012 was £3,427,000 (*2011 £4,942,000*)
- The balance owing from the CHAMP III Management Pty Limited Group to the Company at 29 February 2012 was £30,000 *(2011 £35,000)*

b) Transactions with the Punch Taverns Plc Group

- The Company purchased goods of £Nil (*2011 £Nil*) and services of £Nil (*2011 £Nil*) from the Punch Taverns Plc Group,
- The Company made sales of £Nil (*2011 £17,628,000*) to the Punch Taverns Plc Group, and
- The balance owing from the Punch Taverns Plc Group to the Company at 29 February 2012 was £Nil *(2011 £1,366,000)*

Notes *(continued)*

20 Ultimate parent undertaking

The Company's immediate parent undertaking is Matthew Clark (Holdings) Limited, the consolidated financial statements of which are available from Accolade House, The Guildway, Old Portsmouth Road, Guildford GU3 1LR.

Matthew Clark (Holdings) Limited is jointly owned by Hertford Cellars Limited, a company incorporated in England and Wales, and Punch Taverns (Finco) Limited, a company incorporated in England and Wales

On 29 July 2011 Punch Taverns (PGE) Limited sold its shares in Matthew Clark (Holdings) Limited to Punch Taverns (Finco) Limited Punch Taverns (Finco) Limited's ultimate parent undertaking and controlling party is Punch Taverns plc, a Company incorporated in England and Wales

The ultimate parent undertaking of Hertford Cellars Limited is Accolade Wines Holdings Europe Limited (formerly Vincor UK Limited), a company incorporated in England and Wales 80 1% of the issued share capital of Accolade Wines Holdings Europe Limited is owned by funds managed or advised by CHAMP III Management Pty Limited